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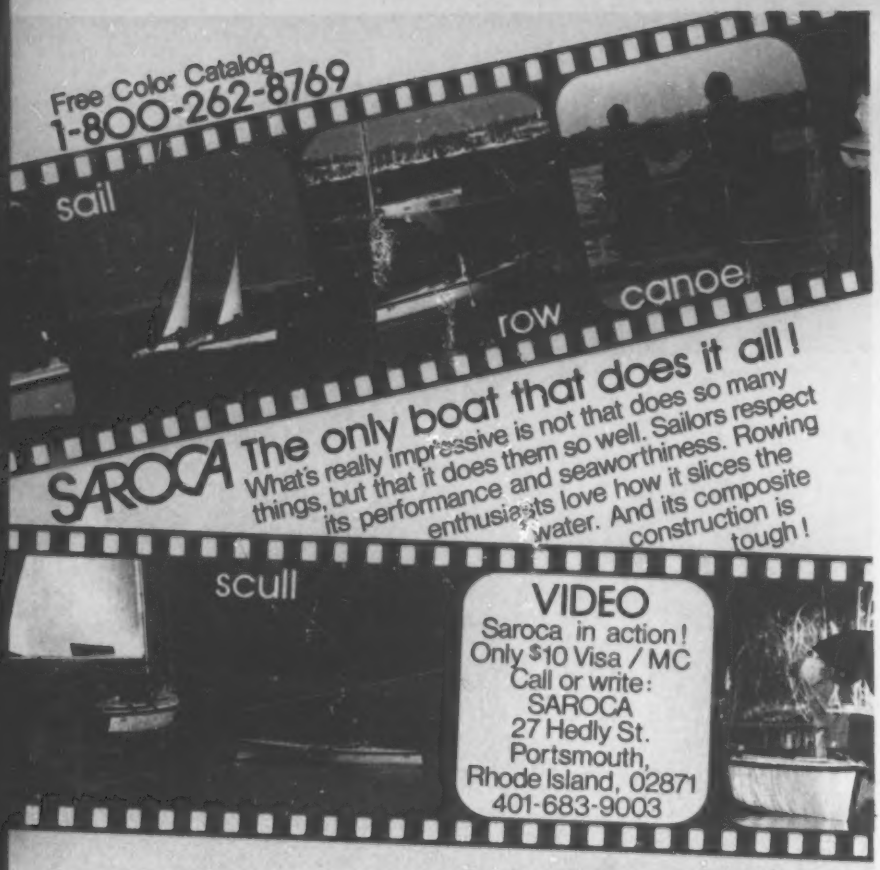
The [illegible]rene Furor:
Manufacturers vs. Legislators

[illegible] Closing the Sale

Dealers of the Southeast

Keeping an Eye on
Gross Margins

State of the Art Inflatables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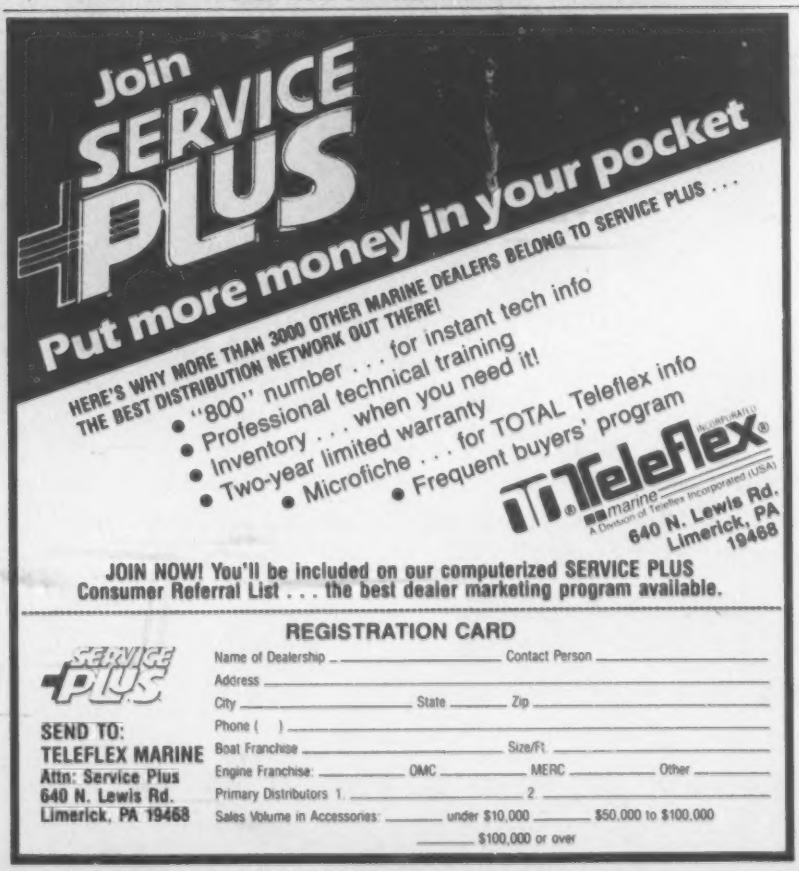
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BOATING INDUSTRY (ISSN 0006-5404) is published monthly by Communication Channels, Inc., George E. Fowkes, Chairman of the Board; Jerrold France, President; Scott Smith, Secretary; Buford Bryant, Treasurer. Corporate offices at 6255 Barfield Road, Atlanta, GA 30328. Telephone 404-256-9800. BOATING INDUSTRY is a registered trademark of Communication Channels, Inc. © 1988 by Communication Channels, Inc. Second class postage paid at Atlanta, GA and at additional mailing offices. Subscription rates: U.S.A. one year, $20, additional $10 for postage outside the U.S. January issue $5.00; Buyers' Guide $25.00; other issues $2.95. Address all subscription mail to Circulation Department: BOATING INDUSTRY, 6255 Barfield Road, Atlanta, GA 30328. The opinions expressed by authors and contributors to BOATING INDUSTRY are not necessarily those of the editors or publisher. Articles appearing in BOATING INDUSTRY may not be reproduced in whole or in part without the express permission of the publisher. Microfilm copies of BOATING INDUSTRY are available from University Microfilms, 300 North Zeeb Road, Ann Arbor, MI 48106. Postmaster: Please send form 3579 to Circulation Department, BOATING INDUSTRY, 6255 Barfield Road, Atlanta, GA 30328.

BOATING INDUSTRY

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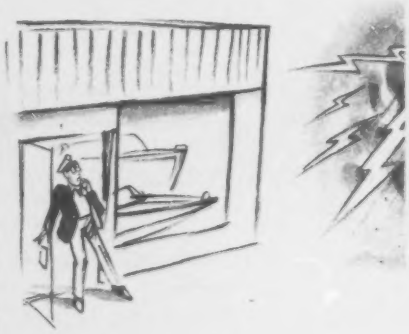

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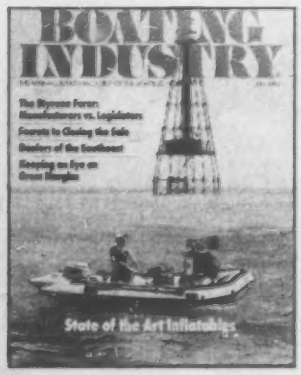


Cover
Inflatables can be used for more than just transportation. Try waterskiing, fishing, diving, exploring . . . anything you'd do in a wooden or fiberglass boat.
PHOTO COURTESY OF ACHILLES

Dealers of the Southeast

Boating is a way of life in this fast-growing region. New dealers are setting up as the population swells with vacationers, retirees and younger families. Some say it's too much of a good thing.

BY JOHN DE GASPARI

The broad swath of the country from the Carolinas, south to the Florida Keys, up through the Panhandle, and west to the Mississippi Delta was the focus of BOATING INDUSTRY's latest regional dealer survey. Nearly all of the states covered for this article share some coastline on the Atlantic seaboard or the Gulf of Mexico. Yet this prodigious amount of coast is balanced nicely by a wealth of lakes and rivers inland.

Indeed, this is America's vacationland, and there is no shortage of attractions for outdoor enthusiasts, from the deep-sea fishing haven off Cape Hatteras to the lake-studded Great Smokey Mountains to the Florida Keys that stretch like a string of pearls off the tip of the peninsula. It's really no surprise that boating is a big business here, both for the boatbuilders that are busily turning out new models to meet consumer demand, and dealers—many of whom are recent arrivals—that have come to set up shop. Dealers in the Southeast grossed an average of $2,607,903 for all products sold and services rendered, according to the survey.

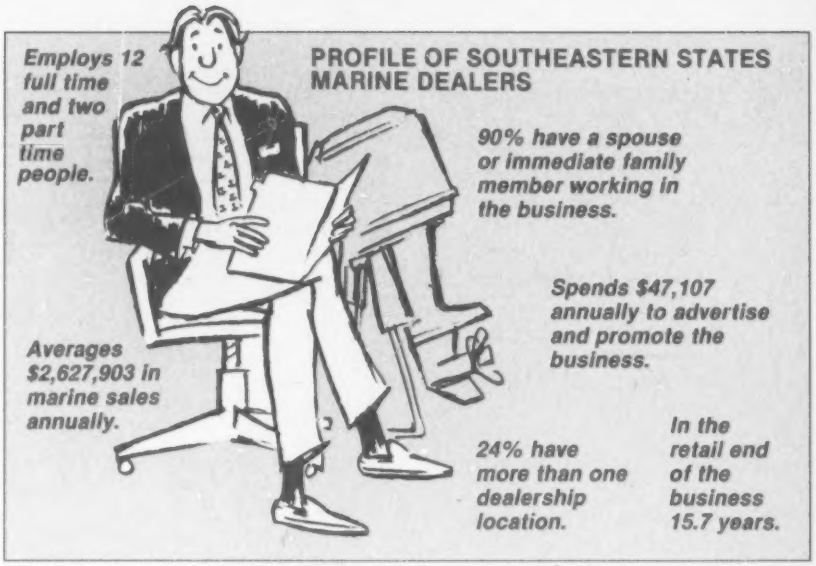
This is nearly twice the average for every other region (excluding the Pacific states) covered so far in similar surveys conducted by this magazine.

The region's plentiful supply of water, long boating season, and booming tourist economy were all named by respondents as prime assets of doing business in the Southeast. Yet the very advantages that make the region so alluring to boat dealers have also led to sharply increased competition in many areas and have cut profit margins, according to many businesses polled.

Half of them cited heavy local competition as a major factor affecting business in their particular

areas. Nearly 40 percent of the dealers felt that business would be either the same or down somewhat from the previous year, and one fifth of that number based their predictions on the fact that there were so many dealers in their localities.

In some areas, especially on Florida's west coast, this problem is exacerbated by bad weather and a fishing ban on redfish and snooker—major attractions for sportfishermen. These setbacks have already put a crimp on sales this year. (The simultaneous ban on both varieties of fish have hit dealers in the area particularly hard. For example, Capt. Joe Beng, owner of Capt. Joe's Pine Island Marine & R.V. Service on Pine Island, off Ft. Myers, FL, who depends on business from retirees from the North, explained, "There are a lot of guys who have been coming here for years. This is a resort island, and fishing is the only draw. When they found out they couldn't catch redfish *or* snooker, they said, 'What for? Why bother coming?' Those are our two major sought-after species. It's had a major impact.")

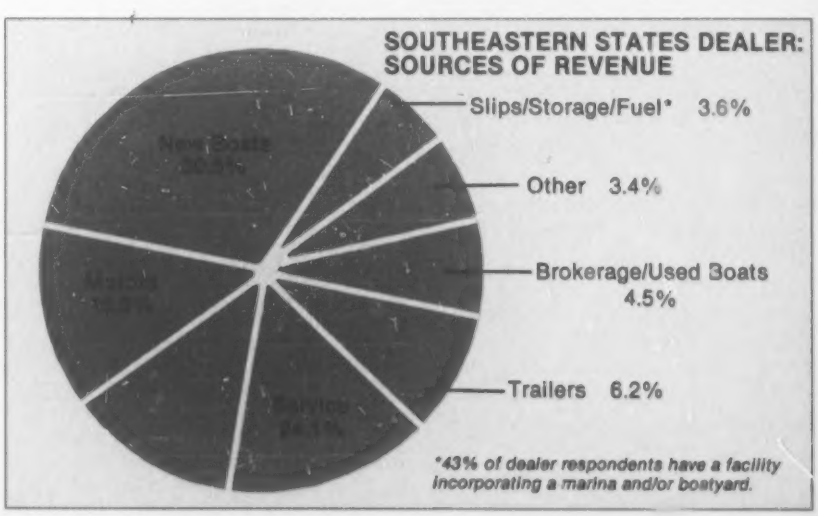

PROFILE OF SOUTHEASTERN STATES MARINE DEALERS
Employs 12 full time and two part time people.
90% have a spouse or immediate family member working in the business.
Spends $47,107 annually to advertise and promote the business.
Averages $2,627,903 in marine sales annually.
24% have more than one dealership location.
In the retail end of the business 15.7 years.

In the face of heavy competition, territory protection was a high priority among dealers.

Some dealers predict that the overcrowding of businesses will cause competitors to dump product. Jack Watson, general manager of Harbor View Marine in Pensacola, FL, said that of six dealers operating in the area, three were new; in addition, a Bayliner dealership was in the process of setting up shop. He didn't think that the area could support all of the inventory on dealers' hands, particularly with local problems hurting sales, and expected dumping to occur shortly. "Something has got to give. All of these dealerships are loaded, and the people who are managing them are smart enough to realize that they can't go through the winter with (the inventory); so they are going to discount heavily and profits are going to come down."

In the face of the heightened local competition, territory protection was a high priority among boat dealers with regard to product selection. Fifty-seven percent of respondents named it as a major factor in deciding whether to add or drop a line; this ranked second only to quality of construction. This has become a sensitive point with a sizeable number of dealers. Eleven percent singled out the need for better territory protection from manufacturers, or pointed to an erosion between the traditional relationship between manufacturers and dealers.

For example, one dealer in central Florida who grosses $10 million annually remarked that the "boat business is very badly fragmented. In Florida there are 30 percent more dealers now than in 1986, and they are growing in numbers." Despite the dealer's location in a high growth area, he said there was a need for fewer dealerships, and added that manufacturers apparantly disagreed. "The manufactur-


SOUTHEASTERN STATES DEALER: SOURCES OF REVENUE
Slips/Storage/Fuel* 3.6%
Other 3.4%
Brokerage/Used Boats 4.5%
Trailers 6.2%
*43% of dealer respondents have a facility incorporating a marina and/or boatyard.

BEST SELLERS SOUTHEASTERN STATES

BOATS

Fishing Boats
Runabouts
Cruisers
Pontoon Boats
SailBoats

ACCESSORIES

Electronics
Hardware
Safety Gear
Lubricants
Cleaners

POWER OPTIONS

Outboards
Inboard/Outboards
Inboards

ers think that the marine business is like selling cars (in volume). That is not so. . . . Even though our business has larger dealerships, we still need protection by manufacturers. We do not see that coming."

This opinion is shared by some small shops as well. One Florida dealer grossing $400,000 annually also complained about too many dealers: "In a 20-mile radius there are five OMC dealers (outboards), and the customer can price shop till none of us make any money."

Nor is the issue limited to just Florida. Sam Cassidy, owner of Lugoff Marine, a smaller dealership in Lugoff, SC, complained bitterly about the lack of territory protection, and said that the problem is widespread. "Marine dealers—not just in this state, but in all of them—don't have a franchise agreement. All they have is a sales agreement, and it's not worth the paper it's written on," he said, referring to both engine manufacturers and boatbuilders. "You can't sell your business and maintain any motor line. . . . Can't sell it to the next guy. It's up to them to approve. You don't have any bargaining power for the business other than your clientele. I think this is wrong, and we need to do something about it."

Cassidy's frustration stems from the fact that, as a dual dealer of both Johnson and Mercury outboards, he was dropped by Mercury because he had Johnson. After end-

CLOSEUP

Service, Anyone?

Jack Bergbom loves working outdoors, likes to sail, is attracted to Florida, and feels retail is a fun business, because "you deal with customers on a one-on-one basis and you have to be friendly and courteous. That attracts me."

The key to that statement is the friendly and courteous aspect. Boating aside, where Jack is the manager of Cannons Marine in Longboat Key, FL, Bergbom is your basic friendly guy; one who goes the extra mile for anyone. It's no wonder that Cannons Marine is a successful enterprise. They stress service.

Successful as it may be, Cannons does feel the squeeze when it comes to selling big name products, mainly because of the way these manufacturers are marketing their products. "All the dealers don't pay the same price. It's totally based on volume. Five or six years ago there wasn't the discrepancy between the top guys who are knocking out 50 motor orders at a time and the little guy who is putting together the six to 12 motor order."

"Mail Order Dealers"

Five years ago, Cannons was one of the top 100 Evinrude dealers in the country. Now, says Bergbom, "I can't give them away." With the advent of "mail order motor dealers," customers can order products from a large dealer and have them shipped, saving them money but hurting the small dealers. These smaller dealers still must service these items.

"We've always predicated ourselves on being a small place. We handle the customer one-on-one, provide a lot of service when it's needed — but nobody wants to pay for it anymore. So its real hard to compete. We try to take care of the people we sell products to. Some people realize that and won't go to the 'mail order' guy because he can't service the product."

That's why the marina recently added Yamaha outboards to their product line. Because there isn't the same kind of price competition present between Yamaha dealers, they can still make money from those motors.

Rentals Available

When it first opened in 1955, Cannons was strictly a boat rental company. They still rent boats today, mainly because the area attracts many tourists interested in taking a boat ride.

Renting boats makes good business sense, although it is expensive. To rent, one must have good, clean products and service them regularly. The payback, says Bergbom, is that "it gives us an opportunity to demonstrate our products and make some money at the same time." Cannons keeps approximately 20 rental boats in its yard, ranging from 14 to 24 feet. Many times these boats are later sold as demos to a consumer who doesn't want to spend top dollar.

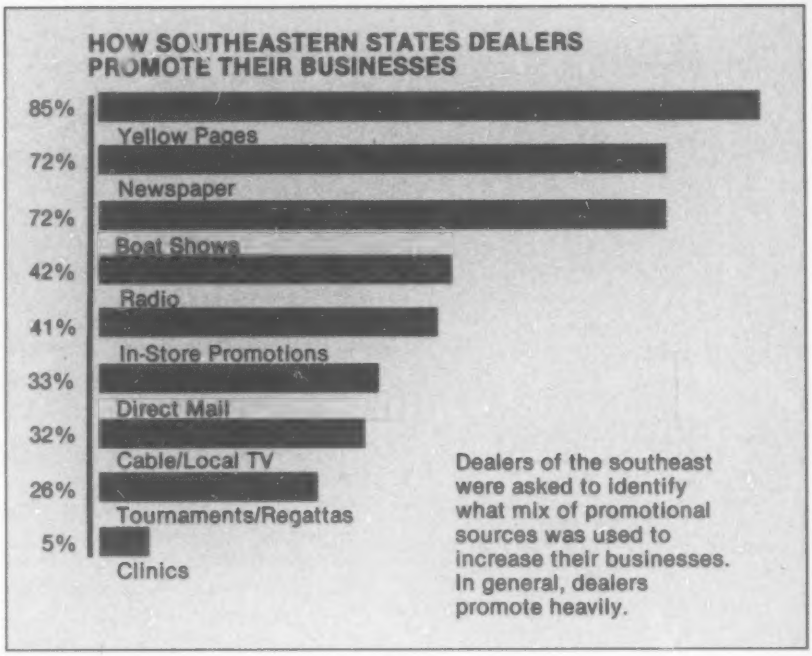
The Longboat Key marina tries to keep business on a personal level whenever possible. "We like to know our customers and like them to know us — that's a big part of it."

To keep customers coming back, the manager says, "You just treat them right." Sounds like Jack Bergbom, who is attracted to dealing with customers on an individual basis, knows how to attract them.□

—Ralph R. Valente

ing its agreement with him, Mercury allowed him to continue to sell the motors he had already purchased under its floorplan, but he cannot service or warranty the Mercury products that he sells, he claims. Cassidy sees this as unfair to the customer as well as the dealer.

Customer demand ranked in the top three factors that influence dealers to carry a line.



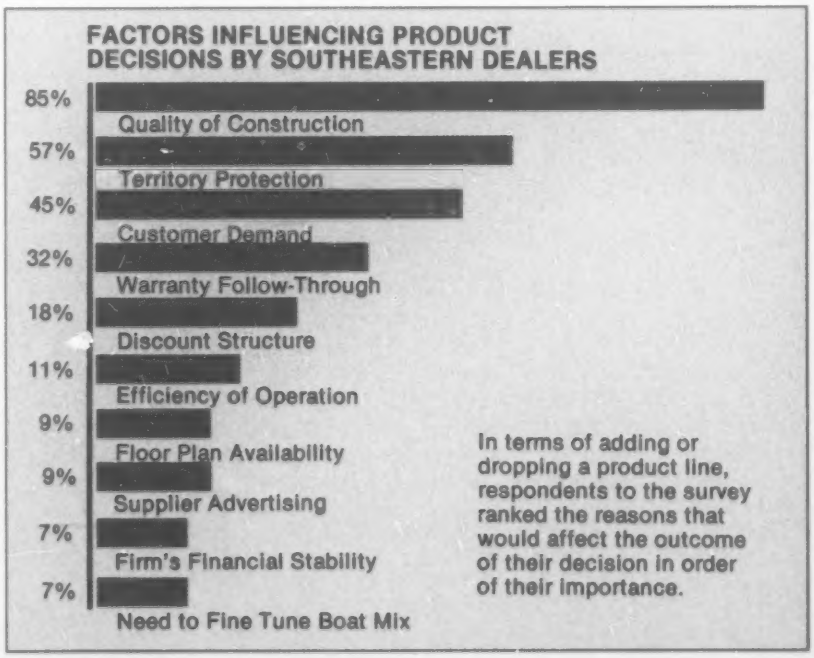
"I would not have bought any of the motors in '87 or '88 if I had known they were going to drop me. All they have to do is give you 90 days notice." He added that he suspected that some manufacturers want to do away with "mom and pop" dealers.

Those polled differed somewhat as to the source of most of the competition. Some saw a trend toward high-volume "mega-dealers"; others pointed their fingers at small, "shoestring" operations that don't understand profit margins. A few predicted a shakeout in the business if the economy should soften. Many agreed, though, that the marketplace was becoming increasingly crowded, despite big gains in population and solid local economies.

In the face of this competition, dealers in the region have become increasingly aggressive, keeping a close eye on consumer preferences and marketing quite heavily. Of those who answered the question, over a third of the dealers indicated that promotion, and customer satisfaction—by anticipating demand, having product knowledge, or providing service—most influence the success or failure of a dealership. In fact, service accounted for about 24 percent of total revenue for the average dealer. This is second only to new boat sales (30.5 percent). (Available financing, good location, and a strong economy were also mentioned as factors.)

Their answers also suggest that customers may be a bit more demanding than they once were. Nearly 15 percent of dealers who answered the question said that greater customer sophistication accounted for the biggest change in the marine business over the last several years. Not surprisingly, customer demand ranked in the top three factors—after quality of construction and territory protection—that would most influence a dealer to add or drop a line.

One advantage of the Southeast, with its growing population, is a



reasonably available supply of labor, most of those polled indictated. Wages tended to be low to moderate, although there were some exceptions.

One difficulty in the region—as in other areas of the country — is a shortage of qualified mechanics. R.D. Jones, owner of Thompson's Marine and Small Engine, in Greenville, MS, a rural, agricultural area, said, "We just can't find one. We've been advertising for qualified mechanics for 10 years and haven't found one yet."

Other dealers may have been luckier in their search, but several say that competition for good people is keen. According to John Wilkins, owner of Chris Craft of Myrtle Beach, Myrtle Beach, SC, "Expertise is hard to find. There is a lot of competition for people here. There are 17 boat dealers in the area that's got a base population of probably 65,000 people." Another dealer on the west coast of Florida remarked that, in addition to a general shortage of trained marine mechanics, "the (Florida) wage scale has never been enough to attract anyone."

Jack Watson says that labor is one issue that the marine industry is going to have to address. "We've got too many people out in the field that are screwing up our reputation," he remarked. As a solution, he would like to see major manufacturers group together to build a school—and offer scholarships. "It's going to take something like that to produce a good quality mechanic." Several other dealers queried pointed to a need for well-financed, industry-sponsored trade schools as well.

All of this is not to say that the Southeast is beseiged by problems. Boating is very much a way of life here. Mild weather and relative prosperity form a powerful magnet drawing a steady stream of people from other areas of the country. They are coming as tourists and as retirees, with plenty of cash to spend. The region is drawing younger families as permanent residents as well, lured by companies that have pulled their stakes in the Northeast and Midwest and reset-

(continued on page 91)

CLOSEUP

The Retail Challenge

In many ways, a first job can parallel a first love. Take John Fowler, owner of Economy Marine, Inc. in Mobile, AL. Not really sure of what kind of career he wanted for himself, Fowler, who had spent eight years in the Air Force, went to an employment agency in 1970. It was there, in Pensacola, FL, that he got his introduction to boating.

Fowler went from salesman to general manager of Pensacola Boat Mart. When they opened a sister operation in Birmingham, AL, he was named GM of both, commuting between the two.

In 1978, the dealership was sold and the retailer went to Sarasota, FL, for "one terrible year." The marina was forced to close in 1979 due to the gas shortage. Says Fowler, "We all remember 1979, in South Florida particularly; they ran out of gas."

Retail Business Still New

Wanting to get back to Alabama, Fowler decided to open his own dealership in Mobile. Why did he stay in retailing? "The retail business, I just love...it's still new after all these years. To me, it's a challenge to get someone to buy my product."

One of the biggest problems in the area, according to Fowler, is the inability to get good, quality labor — especially mechanical. "Being able to provide the service that I would like to have as a customer is tough. When I have a problem with a customer who is bothered by the amount of time it takes to service his boat (we sometimes get two weeks behind), it's a killer; I hate that."

Wanted: Service Stations

Fowler feels that the industry needs to address this issue. It should be more like the automobile industry, where there are many qualified service stations. The owner's opinion is that it would be beneficial to manufacturers, as well as the industry as a whole, if they sponsored service centers.

Another frustrating aspect of this business is the lack of education of the first-time buyer, who, the dealer believes, doesn't know how to shop; he generally buys in feet and price. It's very difficult to get him to recognize value.

"I think that's a little bit of a problem. A customer buys the cheapest priced boat, and, in three years (in some cases) he has little or nothing left, either to trade or to step up to a new boat.

"Consequently he says, 'To hell with this business,' sells his boat to the first offer, and gets out. The industry loses him. He goes

(continued on page 91)

SOUTHEAST

continued from page 63

tled in the sunny South. The growth is not limited to Florida, either. Dealers in the Carolinas, Georgia, Kentucky, and Alabama are benefitting from the same trends.

But there are troubled areas as well. The oil industry bust has had some negative impact on dealers on the Gulf coast, although this appears to be more concentrated in Louisiana and Texas. A Mississippi dealer in the central part of that state said that the soft agricultural economy and lack of rain slowed his business. Even the October 1986 stock market crash in faraway New York has made some people cautious about making big purchases, said some dealers.

To be sure, the Southeast is a mixed bag for boat dealers; ironically, some of its troubles stem from too much of a good thing. Still, the region continues to hold promise of prosperity for many of the dealers polled—even if they have to buy smarter, sell harder, and service better than the guy down the street. After all, many problems that dealers face are little different than those faced by their counterparts in other regions of the country.□

FOWLER

continued from page 63

and buys a motor home...or a swimming pool. That's our competition."

Economy Marine, in an attempt to convert the customer from a price buyer to a quality buyer, chooses to sell what it feels are higher quality boats. (Its prominent line is Sea Ray.)

Steak and Sizzle

Each potential customer that comes into the dealership is given a comprehensive, 30-page brochure on the Sea Ray line. "My salespeople have to be very, very sharp to sell not only the sizzle, but some of the steak, too."

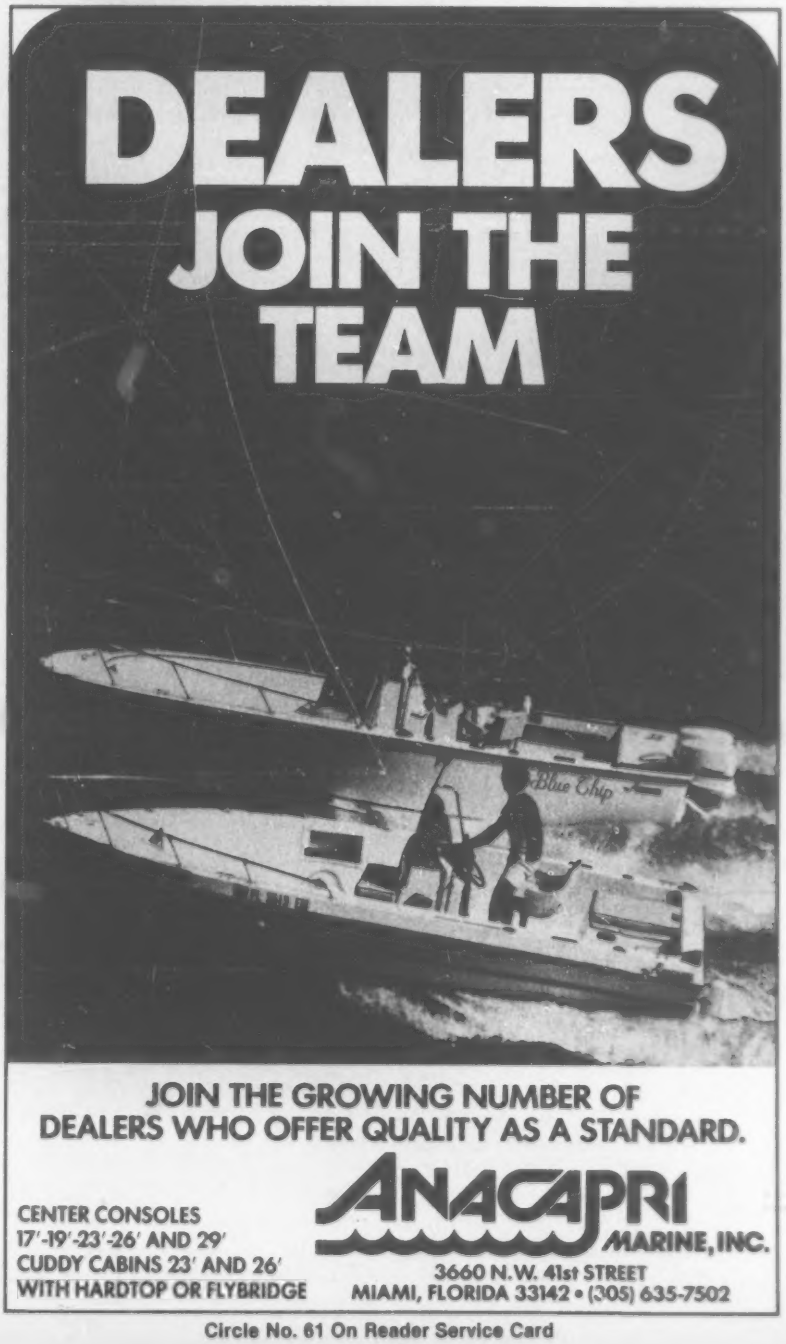
Those salespeople, which are trained in-house, from scratch, are taught to stress the long-term relationship. "I try to stay away from the big D (dominant) type of sales guy that likes to hammer customers because customers eventually resent that. They may buy from you but when they walk away they feel very uncomfortable."

Why should someone buy from Economy Marine?

"I feel that we offer absolutely the best product available in this industry, considering all the different factors: the quality of the product, the pricing of the product and the level of involvement of the factory—how well they back *me* up, so I can back up my customers."

Fowler, who got into boat dealing because he "needed a job," still has an adoration for retailing. Despite the frustrations, the owner has no plans to get out. Why should he? Economy Marine has enjoyed a better than 30 percent growth margin per year since its inception. Besides, one never forgets a first love.□

—Ralph R. Valente



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